

SOCIAL AND ENVIRONMENTAL LEGACY

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GRI 103-2, 103-3: 203, 203-1, 413, 413-1



In 2020 Localiza made important progress on social and environmental issues such as climate change and carbon emissions, two of our focus areas.

We received positive ESG ratings from several agencies: Localiza was the only company in Latin America to make Sustainalytics’ list of the 50 companies with the lowest ESG ratings in January 2021. With an ESG risk rating of 8.5, we were classified as having a negligible risk for financial impacts from environmental, social and governance factors, and were the top-ranked company in the transportation sector. We were also awarded an MSCI ESG rating of AA.

These ratings recognize our progress on sustainability and the significant social and environmental initiatives we implemented in the year. As part of these initiatives, we:



- **provided around R\$ 16 million** in donations to social programs and to support the pandemic response across three fronts: the healthcare system, vulnerable communities and small- and medium-sized businesses (including those in our supply chain);



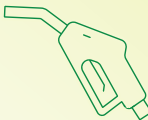
- **provided consistent support to several charities,** such as the Gerando Falcões network;

- **launched a robust diversity and inclusion** program;

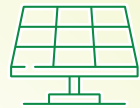


- **offset direct carbon emissions from our** operations;

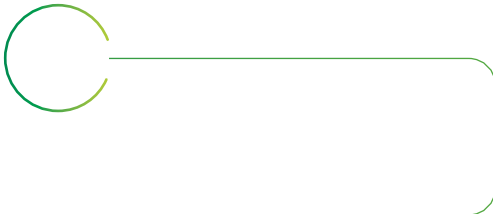
- **partnered with the Instituto Ekos Climate** Commitment Program;



- **fueled approximately 99% of our fleet with** ethanol, when fueled by Localiza; and



- **installed new solar power systems and** expanded dry-washing.



EDUCATION & ENTREPRENEURSHIP FOR SOCIAL TRANSFORMATION

To support our strategic social investment initiatives, in 2020 we took initial steps in setting up the newly founded Localiza Institute, with a primary focus on providing skills-building and entrepreneurship support for socially and economically vulnerable youth. The Institute will begin activities in 2021, as in 2020 the team was needed to support initiatives as part of the pandemic response.

With a governance structure aligned with best practices in the third sector, the Institute has its own Executive Board and Board of Trustees, and in 2020 launched a survey of internal and external stakeholders to inform the development of its strategic plan. After identifying needs and challenges in target sectors, the Institute has positioned itself as an organization that works shoulder-to-shoulder with at-risk communities to achieve social transformation with them.

The new Institute represents another important step for Localiza in managing social issues involving external stakeholders, and delivers on our commitment to corporate citizenship and to increasingly integrating sustainability aspects into our management. Our aspiration is that, in addition to delivering value for the business, the Institute’s initiatives will increasingly create social value for society.



SOCIAL DEVELOPMENT

Alongside programs fostering social and economic development, we contribute to society through donations that support culture, social initiatives, healthcare, education and other causes. These donations amounted to a total of R\$ 16 million in 2020. Of this amount, R\$ 6.8 million was in tax-deducted funds provided to previously selected eligible and reputable organizations with a proven record. The amounts of tax-deducted funding, the relevant tax incentive laws, and the organizations and projects benefited in 2020 were as follows:

- **ROUANET ACT (R\$ 3.8 MILLION)** – Association for Brazil-Japan Scientific and Technological Cooperation (ACCTBJ); Instituto Inhotim; Arte Projeto Promoções Ltda.; Matilha Conteúdo e Imagem Ltda.; Instituto Cultural Corpo; Fundação Inimá de Paula; and Instituto Cultural Filarmônica.
- **CHILDREN AND YOUTH FUND (R\$ 0.9 MILLION)** – Belo Horizonte Municipal Fund for the Rights of Children and Adolescents and Ribeirão das Neves Municipal Fund for the Rights of Children and Adolescents.
- **ELDERLY PERSONS ACT (R\$ 0.9 MILLION)** – Belo Horizonte Municipal Fund for the Elderly.
- **SPORTS INCENTIVE ACT (R\$ 0.7 MILLION)** – Minas Tênis Clube and Instituto Gabriel Medina.
- **PRONAS/PWD (R\$ 0.5 MILLION)** – Association of Parents and Friends of Children with Special Needs (APAE) in Pará de Minas and Associação Pestalozzi de Atílio Vivacqua.



Of our R\$ 16 million in donations in 2020, R\$ 9.2 million were tax-deducted

MOBILIZA CHALLENGE

Launched in 2019 to encourage employees to get more exercise, the Mobiliza Challenge was adapted in 2020 to include a social dimension due to the pandemic. This year's prize was a cash donation for charities named by the three top-ranked competitors. This provided an opportunity for employees to not only maintain a healthy exercise routine while working at home, but also support at-risk communities.

NON-TAX-DEDUCTIBLE DONATIONS

We gave a total of approximately R\$ 9.2 million in non-tax deducted donations in 2020, primarily to:

- **JUNIOR ACHIEVEMENT MINAS GERAIS:** an organization that encourages and develops at-risk youth and adults to enter the job market;
- **ASSOCIAÇÃO ÓRBI CONECTA:** a collaborative space for innovation and entrepreneurship;
- **CIDADE DOS MENINOS SÃO VICENTE DE PAULO:** an organization that helps at-risk youth in the Metropolitan Area of Belo Horizonte;
- **MINAS GERAIS STATE INDUSTRY FEDERATION (FIEMG);**
- **FUNDAÇÃO BENJAMIN GUIMARÃES:** the foundation sponsoring Hospital da Baleia, which operates referral centers in Minas Gerais;
- **INSTITUTO MILLENIUM:** an organization that engages in advocacy for public-interest issues, especially the democratic values and principles that underpin national development;
- **MOVIMENTO BEM MAIOR:** a non-profit organization that supports and connects social-impact initiatives in Brazil;



- **MOVIMENTO GERANDO FALCÕES:** a social organization that works to improve quality of life in low-income communities in Brazil; and
 - **SANTA CASA DE MISERICÓRDIA DE BELO HORIZONTE.**
- In addition to implementing measures to protect the health and well-being of our employees during the pandemic, we also helped to mitigate the impacts from the sanitary and economic crisis in Brazil. Despite the financial headwinds in the second quarter of 2020, we continued to support our communities with donations that exceeded those in previous years. These donations were part of the R\$ 9.2 million in non-tax-deducted funds.



GOOD FRIDAY

On November 27, to mark Black Friday, we organized a special initiative that donated 15% of contract proceeds that day to NGO Gerando Falcões. The donation supported the creation of a project, called “Children at School”, that will benefit more than 10,000 families. The initiative, dubbed “Good Friday”, was organized under the theme #WeCreateOpportunities, and is aligned with Localiza’s aspiration to help change people’s lives and reduce social inequalities.

DONATIONS FROM MARCH TO DECEMBER 2020

ACTION FRONT	INSTITUTION	INITIATIVE	AMOUNT
Healthcare	• FIEMG	Construction of a hospital to treat COVID-19 patients in partnership with FIEMG, Mater Dei, MRV, Andrade Gutierrez, Banco Inter, Banco BMG and Barbosa Mello Construtora.	R\$ 2.0 million
	Movimento Bem Maior	Donation of medical supplies and equipment to National Healthcare System hospitals and to the Emergency Healthcare Fund, in a partnership with BSocial and Instituto para o Desenvolvimento do Investimento Social (IDIS).	R\$ 0.7 million
	Santa Casa de Misericórdia de Belo Horizonte	Ward/floor renovations at the Santa Casa BH Hospital to accommodate new beds for COVID-19 patients.	R\$ 0.6 million
	Several hospitals in MG	Donation of 10 ventilators to National Healthcare System hospitals in Belo Horizonte.	R\$ 0.3 million
	Hospital da Baleia	Donations to purchase personal protective equipment for physicians treating COVID-19 patients.	0.02 million
	Minas Gerais Government	Vehicles on loan for healthcare and security activities.	Loan cars
	Health Professionals	Three days' free rental of class C cars (economy with air conditioning) for health professionals, who also received free flights from airline Gol.	Loan cars
Small and medium-sized enterprises (SMEs)	Movimento Bem Maior	2020 Stimulus Project, supporting small and medium-sized enterprises affected by the COVID-19 pandemic.	R\$ 2.5 million
At-risk communities	Gerando Falcões	Food vouchers for vulnerable communities, including communities surrounding Localiza's headquarters.	R\$ 1 million
	Other institutions	Emergency relief for communities affected by the COVID-19 pandemic.	R\$ 0.3 million
APPROXIMATE TOTAL			R\$ 7.42 million

“Movement for Good” Challenge: to help to provide relief to communities throughout Brazil, in November 2020 we invited Localiza employees to name institutions in their communities that had been impacted by the pandemic, and suggest ways to mitigate those impacts. Following a selection process by the Corporate Citizenship Committee and a vote by employees, ten initiatives were selected, including four in the North, four in the Northeast, two in the Midwest and one in the Southeast.

GREEN MINDSET

GRI 103-2, 103-3: 307

Environmental stewardship is integral to our management approach. We recognize our role in society and work to ensure we use natural resources efficiently. In practical terms, we achieve this by using energy and water efficiently, developing renewable energy sources, compliantly disposing of waste materials, managing and neutralizing greenhouse gas (GHG) emissions and disseminating sustainable practices among our employees and in our supply chain.

Although our main business activity does not require environmental licensing under Brazilian federal regulations, we monitor environmental compliance in supporting activities at some sites, such as car washing,

oil changes and fueling. This way we ensure that these activities are performed in an environmentally compliant manner.

In 2020, Localiza became the first company in the car rental industry to be named to the B3 Carbon Efficient Index and the first to publish greenhouse gas emissions inventories in the Public Emissions Registry of the Brazilian GHG Protocol Program. The B3 Carbon Efficient Index encourages companies listed on the Brazilian stock exchange to manage and control their greenhouse gas (GHG) emissions. Initiatives such as these are especially important at a time when climate change is profoundly affecting the environment around the world.

As a constituent of the ICO2 index, we transparently report on emissions from our operations and use the data provided by B3 and the GHG Protocol to inform mitigation solutions. Localiza sees sustainability as not only a one-time project, but a continuous process of evolving our practices and culture, on which we have made consistent progress. An example of this is our program to offset greenhouse gas emissions.

FUELING WITH ETHANOL

To minimize environmental impacts, **around 99%** of our vehicles are fueled with ethanol—a less polluting fuel than gasoline—when refueled by us.

Ethanol plays a very important environmental role in Localiza’s operations. Ethanol is a biofuel produced from sugarcane, a renewable source that absorbs CO₂ from the atmosphere during the plantation stage. In addition, ethanol fuel produces, on average, as much as 89% less

EMISSIONS

GRI 102-11, 103-2, 103-3: 305

Our segment is directly a source of carbon emissions and, for this reason, this has always been among our focus areas. We believe that this is a constant effort that needs to be addressed transparently and using a technically sound approach.

Emissions inventory data are managed using a robust emissions management platform, called Climas, supplied by a specialist consultancy. Our strategies to mitigate emissions are validated by the Sustainability Committee.

In addition to continuously improving our reporting practices, in 2020 we pledged support for the Instituto Ekos Climate Commitment Program, which aims to engage the private sector in initiatives around climate responsibility.

GRI 102-12

In 2020 we offset the Scope 1 and 2 carbon emissions from our operations in 2019, or approximately 20,000 metric

greenhouse gas emissions than gasoline, according to the Energy Information Administration (EIA), generating a significantly smaller carbon footprint.

We are also working to improve our ability to monitor fueling by customers and to encourage them to use ethanol as a renewable fuel.



tons of CO₂ equivalent, by purchasing carbon credits from a ceramics plant in Ituiutaba, Minas Gerais, that had replaced native wood with biomass as fuel for its ceramics kilns.

In 2021 we plan to make further progress by also reporting Scope 3 emissions and implementing initiatives to make our operations more climate-efficient.

The table opposite shows our Scope 1 and 2 emissions as reported in our GHG inventory for 2020. The consolidated data, including Scope 3 emissions, will be published by August in the Public Emissions Registry of the Brazilian GHG Protocol Program. We will disclose for the first time our emissions from rented vehicles (while in use by our customers). This data is being carefully reviewed to ensure it accurately reflects our direct and indirect carbon footprint. As another improvement, a third-party audit will be conducted on the inventory, and this could result in restatements to the data. Our sources of emissions, and the relevant GWP (Global Warming Potential) values, are reported within the Brazilian GHG Protocol Program.



Our next emissions inventory will include Scope 3 emissions data

DIRECT (SCOPE 1) EMISSIONS GRI 305-1

DIRECT GREENHOUSE GAS EMISSIONS (t CO ₂ EQUIVALENT)	2018	2019	2020
Production of electricity, heat or steam	13.67	9.88	15.42
Transportation of materials, products, waste, employees and passengers	9507.09	10725.78	6570.21
Fugitive emissions	6372.26	7615.56	8171.40
Total gross CO₂ emissions	15,893.03	18,351.21	14757.03

BIOGENIC CO ₂ EMISSIONS (t CO ₂ EQUIVALENT)	2018	2019	2020 ¹
	1806.31	2060.11	9146.20

INDIRECT (SCOPE 2) EMISSIONS GRI 305-2

ENERGY INDIRECT GHG EMISSIONS (t CO ₂ EQUIVALENT)	2018	2019	2020
	1109.05	1188.27	990.18

¹ The higher amount reflects the increased use of renewable fuels (ethanol).



ENERGY

GRI 103-2, 103-3: 302

Around 80% of our fleet operations centers, car rental locations, stores and head offices use low and medium voltage electricity purchased from local utilities. This electricity derives from Brazil’s National Grid, which has an energy mix largely consisting of renewable, hydroelectric power generation facilities.

We also use fuels to transport cars between sites on car carriers, for sales team vehicles, and for office generator sets.

We have awareness-raising policies in place in our operations and implement specific initiatives to achieve electricity savings, such as switching from regular to LED lamps, setting targets for electricity consumption in employee contracts, replacing air conditioning equipment at car-rental locations with inverter-driven models, and using timers to automatically switch outdoor lights on and off. We also run campaigns to reduce energy waste from prolonged use, and use renewable sources to offset electricity consumption.

SOLAR POWER PROJECT

To increase alignment with sustainability principles and contribute to a cleaner energy mix, in 2017 we set a goal to increasingly use solar power for the electricity requirements of our operations.

This led to the creation of our solar power project, in which we developed solar farms in the states of Minas Gerais, Rio de Janeiro and Pernambuco, and installed rooftop photovoltaic power plants at car-rental locations and Seminovos stores.

We ended 2020 with 59 sites supplied with electricity from solar farms, producing a total of 1,700,000 kWh in the year, an increase of 14.6% compared with the output in 2019.

In 2020 we also continued to install new on-site rooftop photovoltaic power plants, creating an additional installed solar power capacity of more than 230,000 kWh in the second half. In December we had 18 photovoltaic power systems in operation, setting a new output record of 84,000 kWh.

We also created a new performance indicator for the project, called the “Coverage Ratio”, which measures the ratio of clean energy to the total energy we consume. We ended 2020 with a Coverage Ratio of 16.79% (considering total platform consumption except renewable electricity sourced from the free market via the grid), an increase of 2.14 percentage points from a Coverage Ratio of 14.65% in 2019.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION (GJ) GRI 302-1

NONRENEWABLE SOURCES	2018	2019	2020	CHANGE 2019/2020
Diesel	46382.28	53144.09	62822.87	18.21%
Gasoline	109504.30	122924.37	39,310.35 ¹	-68.02%
Subtotal	155886.58	176068.46	102133.22	-41.99%
NONRENEWABLE SOURCES				
Electricity	57281.94	57999.71	57004.17	-1.71%
Ethanol	-	-	118919.73	N.D
Subtotal	57281.94	57999.71	175923.90	203.31%
Total	213,168.56	234068.17	278057.12	18.79%

¹ The reduced use of gasoline reflects increased use of ethanol.

ENERGY INTENSITY GRI 302-3¹

	2018	2019	2020	CHANGE 2019/2020
Total energy consumption (GJ)	213168.56	234068.17	278057.12	18.21%
Average fleet utilization rate	139566	181747	199395	-68.02%
Energy intensity	1.53	1.29	1.39	-41.99%

¹ The data for 2018 and 2019 have been restated using the same method to calculate energy intensity as used in 2020: dividing total energy consumption by the average rented fleet.

REDUCTION OF ENERGY CONSUMPTION GRI 302-4

REDUCTIONS IN ENERGY CONSUMPTION ACHIEVED AS A DIRECT RESULT OF CONSERVATION AND EFFICIENCY INITIATIVES (GJ)	2020
Clean energy ¹	22324.00

¹ Clean energy derived from our solar farms, roof-top photovoltaic power plants and from the free market (small hydropower dams).

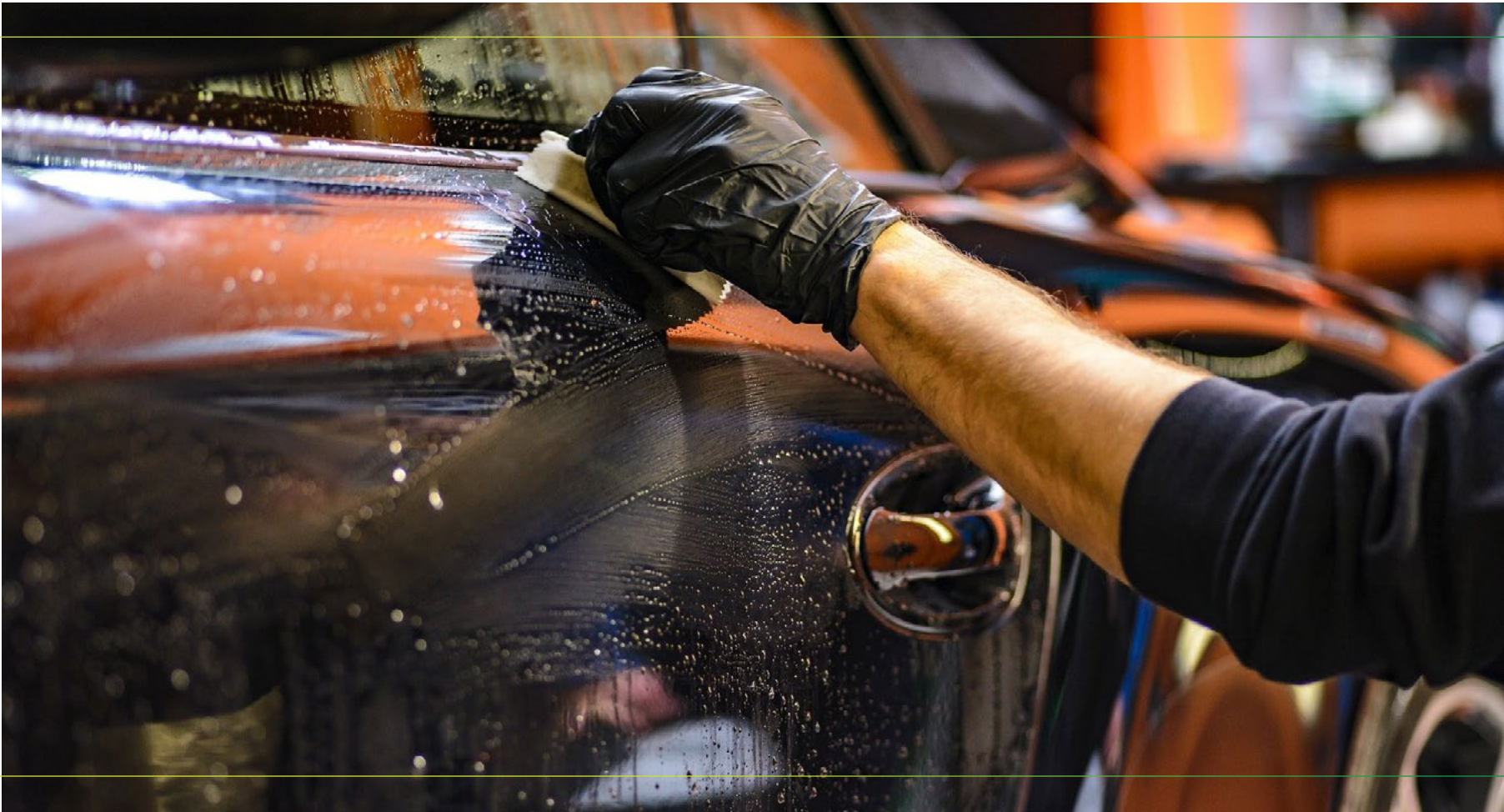
WATER AND WASTE

DRY CAR WASHING

In 2015 we introduced waterless car washing in our entire network, reducing water consumption from an average of 30 liters to 200 ml per wash, as well as improving waste and effluent management in our operations. All waterless car washing products are assessed and sourced from approved brands, and are largely biodegradable, avoiding the use of materials that are harmful to the environment or human health.

The dry washing rate at our car rental locations is monitored by the Sustainability Committee. In 2020 the rate was 57.8% at year-end, 1.2% below target but 1.8% above the rate in 2019, which is understandable given the enhanced hygiene measures that were required in the year due to the COVID-19 pandemic. When the pandemic broke out, we suspended all dry washing until the products being used were proven to be effective against the virus. We assessed effectiveness with support from an infectious disease specialist hired to assist us during the pandemic, and we only resumed dry-washing when the product was proven to be effective.

We periodically provide training on efficient dry-cleaning techniques, further improving quality and water savings. In 2020 we continued to provide online dry-cleaning training to encourage third-party carwash suppliers to adopt the method.



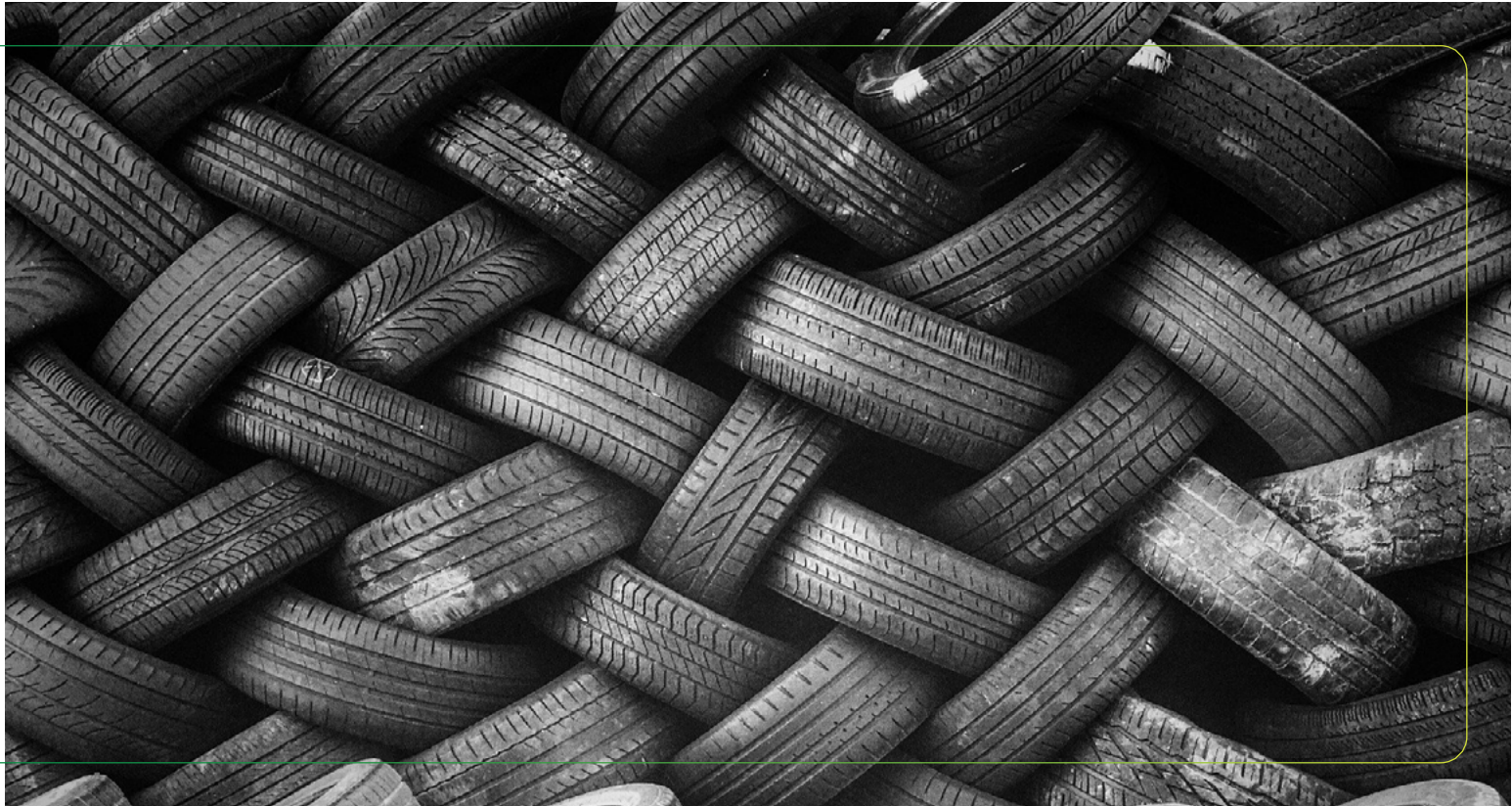
Some cars may still need to be washed with water, depending on the amount of grime on the surface. In 2020, 41.9% of our fleet vehicles were washed with water and biodegradable, environmentally friendly cleaning solutions.

Car washing with water is carried out at carwash facilities with appropriate drainage systems to ensure the wastewater is properly collected and stored.

WATER SAVINGS

Responsible water consumption to prevent waste is an ongoing focus at our headquarters, car rental locations and Seminovos stores.

Our water consumption intensity at year-end 2020 was 0.0886 m³/fleet, down 24.4% from 0.1172 m³/fleet in 2019.



WASTE MANAGEMENT

Our operations use several types of materials and supplies that generate waste. We ensure that all materials are compliantly and sustainably disposed of, in particular waste from fleet maintenance.

Although waste is not among the material topics in our new materiality matrix, we have decided to continue to report information on waste management as a good practice in transparency and because we recognize that our business generates impacts in this area.

To mitigate impacts from waste, we establish partnerships with reverse logistics programs (for example, tire suppliers collect end-of-life tires), and we have waste segregation systems in place and a composting system that transforms leftover food from the cafeteria at our headquarters into fertilizer for our grounds.

WASTE DISPOSAL

ITEMS	REVERSE LOGISTICS	2018	2019	2020
Coolant (liters)	Yes	18,162	6,055	9,660
Wheel covers (units)	No	62,156	86,116	55,828
Brake discs (units)	No	28,055	28,925	27,324
Cabin air filters (units)	No	N.D.	30,073	28,646
Engine air filters (units)	No	108,799	88,548	77,069
Fuel filters (units)	No	278,642	341,917	339,409
Oil filters (units)	Yes	297,879	381,684	382,160
Light bulbs (units)	No	N.D.	77,699	109,922
Gearbox oil (liters)	Yes	4,522	3,516	6007
Power steering fluid (liters)	Yes	N.D.	618	849
Brake fluid (liters)	Yes	12,309	10,215	10,271
Engine oil (liters)	Yes	1.334,292	1702,527	1.803,390
Transmission oil (liters)	Yes	266	912	1,378
Compressor oil (liters)	Yes	540	630	746
Fenders (units)	No	N.D.	2,1387	26,590
Windshields (units)	No	27,332	30,852	33,170
Bumpers (units)	No	20,951	21,370	16,900
Brake pads (sets)	No	53,143	69,843	100,351
Tires (units)	Yes	174,420	156,800	224,764
Toner (units)	Yes	1,810	350	N.D.
Spark plugs (units)	No	47,003	21,838	17,737